

**CalHome Program**  
**Department of Housing and Community Development**  
**Notice of Funding Availability (NOFA)**

**General Funding**  
**Programs**

Mortgage Assistance \* Owner-Occupied Rehabilitation

February 13, 2007

The California Department of Housing and Community Development (HCD) is pleased to announce that it is accepting applications under the CalHome Program. This Notice is for approximately **\$50 million (\$50,000,000)** which is provided by the passage of Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006, to provide funding to local public agencies or nonprofit corporations for the following eligible activities within the CalHome Program:

- First-Time Homebuyer Mortgage Assistance
- Owner-Occupied Rehabilitation

For purposes of this NOFA, first-time homebuyer mortgage assistance activities and owner-occupied rehabilitation activities are referred to as “programs.”

**A separate CalHome Program Project NOFA to support the development of new homeownership housing will be released separately in the coming months.**

The CalHome Program was established by SB 1656 (Alarcon), which created Chapter 6 (commencing with Section 59650) and added it to Part 2 of Division 31 of the Health and Safety Code. The CalHome Program is a homeownership program designed to make funds available to “local public agencies”, or “localities” (local public agency or locality means a city, county, or city and county, or local public entities within the state of California that have been delegated substantially all of the locality’s housing functions as referenced in Section 7716 (w)), or nonprofit corporation to support existing homeownership programs aimed at low- and very low-income households and operated by the local public agency or the nonprofit corporation.

This NOFA issued under the CalHome Program Regulations adopted on August 15, 2003. These regulations are available on HCD’s website at <http://www.hcd.ca.gov/fa/calhome> (All Section references in this NOFA refer to these regulations unless otherwise noted.)

## Regulations and Definitions:

Several of the terms used in the CalHome Program have specific meanings defined by the Program Regulations. For proper completion of the application, HCD urges potential applicants to review the Program Regulations, and the CalHome 2007 Application Training Manual. These documents will be available online at <http://www.hcd.ca.gov/fa/calhome>, and they may be requested by mail or by phone.

## Eligible Applicants:

Any California local public agency or nonprofit corporation that is authorized to engage in or assist in the development of housing or operation of housing programs for persons and households of low- or very low- income, is eligible to apply. **Only one application from a local public agency will be accepted for each jurisdiction.**

Applicants **shall have been operating as a housing program administrator during the two years prior to the date of application.** If applying to fund a program, the applicant must also have successfully performed the **activity** for which they are applying for a **minimum of two years within the four years** immediately preceding the application due date and shall have the ability to perform the requirements of the activity or activities for which they are applying pursuant to Section 7717.

Localities shall only be eligible to apply for an award of CalHome funds for a local program within its jurisdictional boundaries. Nonprofit corporations can only propose programs in a county (or counties) in which they have operated a housing program within the past 4 years, or in a county (or counties) for which the nonprofit corporation has an existing 523 technical assistance services agreement with the United States Department of Agriculture.

**Please Note: Applicants are only eligible to receive one CalHome Program award per year. Therefore, if an applicant for this NOFA receives an award of funds, they will not be eligible to apply for funds under the upcoming 2007 CalHome Program Development Project NOFA.**

## **2007 Updates and Adjustments to the CalHome Program**

Interested parties will note that this NOFA represents a departure from the form of the three Proposition 46 funded rounds. The first change is separating the annual release of funds into a Program NOFA (this one) and a Project NOFA (released later this year). With the passage of Proposition 1C, the CalHome Program will be administering up to \$270 million in funds for eligible activities. In order to simplify program delivery and to highlight the different types of activities that can be pursued with CalHome funds, this NOFA will focus on mortgage assistance programs and owner-occupied rehabilitation programs. The subsequent NOFA will focus on housing development.

The second change is the inclusion of several new policy goals.

During the fall of 2006, the CalHome Program visited with customers in a series of stakeholder meetings to discuss the state of the program and to review some possible changes. There was a consensus among the participants that the CalHome Program was operating well and that it was responsive to customer needs. The flexibility of the program was noted and appreciated.

Also discussed were some possible policy overlays to the program to consider. Several of those were:

- **Ensuring long-term affordability in homeownership purchases:**  
The conclusion drawn from the meetings was that the current flexibility is the best approach. The CalHome Program allows shared appreciation attached to the CalHome loan. Additional resale controls are a local option where there is local subsidy participation.
- **The Department has determined that the current model works fine, no change required.**
- **Encouraging higher-density housing development:**  
Higher density development results in more efficient use of land, the scarcest resource in the homebuilding equation. It also supports the Department's efforts to encourage higher density zoning by local government.
  - Higher density development helps reduce sprawl and encourages more pedestrian friendly and transit-oriented development.
- **The Department has decided that this policy goal should be implemented in this NOFA.**
  - Competitive points will be given in the scoring for applicants that use their mortgage assistance loans exclusively for purchase transactions where the units purchased are developed at 15 units per acre or higher.
- **Encouraging homes that will be energy efficient:**  
Creation of Energy-Star rated housing will directly benefit low-income individuals and families by reducing energy bills and creating healthier living environments.
- **The Department has decided that this policy goal should be implemented in the NOFA.**
  - Competitive points will be given in the scoring for applicants that use their mortgage assistance loans exclusively for transactions where the units purchased have been Energy-Star rated.

Although not discussed at the stakeholders meeting the Department has decided to implement a third policy overlay to the program.

- **Encouraging housing units that meet the universal design standards:**  
By encouraging housing units that meet the universal design standards recipients are making an effort to reach all low-income individuals who may be searching for homeownership. Without the following requirements a special needs household would not be able to find affordable housing.

- **It was decided that this policy goal should be implemented in this NOFA.**
  - Competitive points will be given in the scoring of this application for applicants that use their mortgage assistance loans exclusively for home purchase transactions where the units purchased are developed or improved by meeting the following universal design standards:
    - Provide at least one no-step entrance with beveled threshold. This may be at the front, side or back of the unit.
    - Make doorways throughout the unit at least 32 inches wide and hallways at least 36 inches clear width.
    - Reinforce walls around the toilet, bathtub and shower stall in order that grab bars may be added at a later time, if needed.
    - Install light switches and electrical controls no higher than 48 inches and electrical plugs no lower than 15 inches above the floor.
    - Install lever handles on all doors and plumbing fixtures.

### **Maximum and Minimum Application Amounts:**

Applications to Fund Local Programs: This is a multiple activity application. The aggregate amount of all activities applied for may not exceed the maximum application amount.

The **maximum aggregate application amount** for all activities (programs) shall not exceed six hundred thousand dollars **(\$600,000)**. An exception will be made for a city or county expected to have a higher demand for assistance as evidenced by a population in excess of 400,000 (within the city or the unincorporated portion of the applicant county), in which case the maximum aggregate amount for all activities shall not exceed one million dollars **(\$1,000,000)**. The application lists eligible cities and the counties with unincorporated portions with populations exceeding 400,000. A county may operate its programs in the small cities within the county only with the documented approval of the cities. In this case, the sum of the populations of these small cities and the unincorporated portion of the county will be used to determine eligibility for an award in excess of \$600,000.

The **minimum application amount** for any one activity shall not be less than one hundred thousand dollars **(\$100,000)**.

### **Multiple Activity Applications:**

Applicants may request funding for a mortgage assistance program and/or owner-occupied rehabilitation program by using Attachment I and/or Attachment II. In no event shall the aggregate amount requested for both programs exceed the maximum application amount.

### **CalHome Activity Delivery Fee:**

The CalHome Program regulations include a CalHome activity delivery fee as an eligible cost for mortgage assistance and owner-occupied rehabilitation programs. This fee is to be provided in the form of a grant to the recipient and is included in the award amount.

The source of funds for this NOFA comes from the sale of general obligation bonds. General obligation bond law requires funds to be expended for “the costs of construction or acquisition of a capital asset.” Historically, no funds for the local administration of bond funded programs have been allowed. General obligation bond proceeds used in the CalHome Program may not be used for a recipient’s general administrative or operating costs, but they may be used for:

- a. Self-help technical assistance costs to the extent the costs can be differentiated from the recipient’s general administrative costs.
- b. The direct expense of homebuyer education provided to individuals who also receive home purchase funds.
- c. Loan processing activity delivery fees, pursuant to regulation Sections 7729(d) for homebuyer mortgage assistance loans, as reimbursement to the recipient for its activities directly associated with the making of the loan to the borrower. Fees are reimbursable only to the extent of actual costs incurred in making the individual loan not exceeding the amount normally and customarily charged in relation to similar loans by other lenders, and fees may only be paid for CalHome loans that have closed and been funded.
- d. Owner-occupied rehabilitation activity delivery fees, pursuant to Section 7733(f), as reimbursement to the recipient for the actual costs of services rendered to the homeowner that are incidentally but directly related to the rehabilitation work (e.g., planning, engineering, construction management, including inspections and work write-ups). However, the fees may only be reimbursed for work actually completed and funded with a CalHome loan.

### **Eligible Uses of Funds:**

Local agencies or nonprofit corporations may make:

- (1) Loans to first-time homebuyers for mortgage assistance for permanent financing of a unit ready for occupancy or a unit acquired by a loan such as a HUD FHA 203(k) acquisition/rehabilitation loan. This includes self-help housing mortgage assistance, except that CalHome permanent financing may be disbursed at time of lot purchase where the self-help housing is being financed under the U.S. Department of Agriculture, Rural Housing Services 502 program;
- (2) Loans to owner-occupants for rehabilitation of their primary residence.

Note: All assistance to homeowners shall be in the form of deferred loans repayable to a recipient’s separately maintained reuse account.

**Ineligible Uses of Funds:**

- (1) Administrative costs other than those allowed in Section 7729, 7733, 7737, 7740 and 7743 per assisted household.
- (2) Refinancing of existing loans or debt.
- (3) Substitution of CalHome fund commitments for other funding commitments. This restriction applies to the local public agency's or nonprofit corporation's overall homeowner activities, as well as, on a loan-by-loan basis.

**Eligibility for Homebuyer/Homeowners:**

CalHome Program borrowers must be low- or very low-income households whose incomes shall not exceed 80% of the county median income as defined in Section 7716. The current limits are listed on the HCD website at:

[www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html](http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html)

Homebuyers must be first-time homebuyers as defined in the CalHome Program regulations, Section 7716 (m). Homeowners must be owner-occupants of units that need rehabilitation. All assisted households shall occupy units purchased or rehabilitated with a CalHome Program loan as their principal place of residence.

**Maximum and Minimum Homeowners Loan Amounts Requirements:**

To encourage leveraging of other funds and to serve the highest possible number of eligible households no more than **\$40,000** of CalHome funds may be used per unit (the \$40,000 includes any activity delivery costs).

The maximum loan, made from grant funds, to individual homebuyers/homeowners shall not exceed the required amount of subsidy needed to make the unit affordable to the homebuyer or in the case of rehabilitation, the amount required to fund costs associated with eligible improvements and non-recurring closing costs.

**Underwriting Criteria:**

Loans to first-time homebuyers shall meet the underwriting criteria established in Section 7731.

Rehabilitation loans to eligible owner-occupants shall meet the underwriting criteria established in Section 7735.

**Sales Price:**

“Maximum Sales Price” is the maximum allowable sales price of a home assisted with a CalHome Program loan. This shall be set at 100% of the current median sales price of a single family home in the jurisdiction in which the CalHome Program is located.

**Timeframes for Use of CalHome Funds:****First-Time Homebuyer Mortgage Assistance and Owner-Occupied Rehabilitation Programs:**

Successful applicants shall enter into a Standard Agreement with HCD. The term of the Standard Agreement shall be for 36 months from the date of the award letter. Recipients shall be required to meet the performance goals pursuant to Section 7755(a). Failure to meet the performance goals may result in funds being disencumbered and/or a penalty point reduction on future applications.

**Geographic Distribution Targets:**

CalHome’s enabling statute requires the program to “ensure a reasonable geographic distribution” of funds. To prevent an extreme imbalance of funding (provided there are sufficient applications in each area that pass funding threshold):

- 45% of the funds shall be reserved for programs in Southern California
- 30% of the funds shall be reserved for programs in Northern California
- 10% of the funds shall be reserved for programs in rural areas

If there are insufficient eligible applications in the southern, northern, or rural areas, and the entire amount of any distribution target percentage is not used, the balance of that distribution target percentage and the remaining funds not assigned will be used to fund eligible applications in any area of the State based on highest ranking order.

For the purposes of these geographic distribution targets, Southern California includes the counties of San Luis Obispo, Kern, San Bernardino, and all counties to the South. Northern California includes all other counties of the State. “Rural” is defined in Section 50199.21 of the Health and Safety Code.

**Important Legal Matters:**

HCD reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties. This NOFA is subject to the provisions of the CalHome Program Regulations adopted on August 15, 2003. Applicants are urged to carefully review the regulations before submitting an application.

## **Application Procedures:**

The CalHome application will not be considered for funding unless the applicant demonstrates the following minimum requirements.

- (1) the applicant is eligible;
- (2) the activities are eligible;
- (3) the proposed use of funds is eligible;
- (4) the application was received on time;
- (5) the application is complete and signed by the party authorized in the Resolution, and;
- (6) the application has not been altered or modified except to accommodate computer software.

## **Evaluation Criteria:**

Applicants may apply to fund one or two **programs** (mortgage assistance and/or owner-occupied rehabilitation) in a single application by completing the appropriate Attachments (I and/or II).

All applications will be reviewed to determine if they meet eligibility requirements, and then scored to determine if they meet threshold requirements of 550 points. Each application meeting the 550 point threshold is eligible for funding. (See NOFA section, **Evaluation Criteria** for details.)

An applicant applying to fund two programs will have two separate scores, one each from Attachment I and Attachment II. The scores will be averaged into one score.

## **Funding Allocation:**

The allocation of available funds to each of the two eligible activities (represented in Attachments I and II) will be based on demand. All applications will be reviewed to determine if they meet threshold (550 points). The applications that meet threshold will then be divided into two groups representing the activities they are applying for.

In order to make the addition of bonus points fair and equitable, applicants applying to fund both a mortgage assistance program and an owner-occupied rehabilitation program (both Attachment I and Attachment II) will be grouped with applicants applying to fund a mortgage assistance program only (Attachment I only).

The calculated demand, by activity, represented by the qualifying applicant pool will determine the allocation of awarded funds by activity. For example, if 20% of the demand (the dollar requests from qualifying applications) is for owner-occupied



rehabilitation programs, the awards will reflect a target of 20% of the funds going to fund owner-occupied rehabilitation programs. The same demand-to-award correlation will follow with mortgage assistance programs and double activity applications.

After each application is scored for the core Evaluation Criteria, it will be scored for the additional New Policy Objectives (mortgage assistance applications only) and additional earned points will be added to the score.

Applicants that have previously received a CalHome Program award in the 2003 NOFA round (contracts 03-CALHOME-XXX) will be reviewed for performance per Section 7751(c) of the program regulations:

**Performance Penalty (50 points);  
A deduction to the total score will be applied for failure to meet CalHome Program Performance Goals pursuant to Section 7755**

Section 7755 states:

**(1)(B) If less than ninety-five (95) percent of the funds are expended at the end of the 36<sup>th</sup> month, the Recipient's next application for funding under the CalHome Program shall receive a penalty deduction in the total points awarded pursuant to the current NOFA.**

After all qualifying applications are scored they will be placed in two lists, one for owner-occupied rehabilitation programs and one for mortgage assistance and multiple activity applications. They will be placed in score rank order (highest to lowest). Pursuant to the funding breakdown based on demand, awards will be made to applications beginning with the highest score and down the list until the full extent of funds available is reached. This list will then be reviewed for the geographical distribution of awards, and may be adjusted to meet the targets stated in the NOFA.

Applicants must first pass threshold and receive a minimum of 550 points to be eligible to be rated and ranked based on criteria established in the Program Regulations. The maximum number of points an application may receive under this NOFA is 900.

In the case of a tie score, the application for an area demonstrating the highest poverty level will be funded first in compliance with the geographic distribution target requirements detailed above. Funding decisions will be made by the Deputy Director of HCD's Division of Financial Assistance. The decision of the Deputy Director is final.

## Application Scoring Criteria and Point Values –

CalHome Program NOFA February 13, 2007		
Programs		
Selection Criteria	Mortgage Assistance	Owner-Occupied Rehabilitation
Capability	400	400
Community Need	150	150
Feasibility	200	200
Community Revitalization	50	50
<b>Maximum Possible</b>	<b>800</b>	<b>800</b>

All mortgage assistance applications will be scored in the four categories listed above. If the application is for both mortgage assistance and owner-occupied rehabilitation (**Attachments I and II**), the Attachments will be scored separately and then averaged to attain a composite score.

All applications will also have the opportunity to gain bonus points for pursuing 100 points in the policy goals included in this NOFA:

- Targeting higher density homeownership units, and/or
- Target Energy-Star rated homeownership units, and/or
- Target universal design standard homeownership units.

New Policy Objectives	Bonus Points Value
Targeting Higher density homeownership units	50
Target Energy-Star rated homeownership units	50
Targeting homeownership units that have used the universal design standards	50

**Please Note:**

**In order to maintain fairness in scoring, applicants that request bonus points and are also applying for both mortgage assistance and owner-occupied rehabilitation must commit to the following breakdown in the use of their award.**

**For the recipient awarded bonus points in mortgage assistance and also funding an owner-occupied rehabilitation program with this award, at least 50% of the loans made from this award must be for mortgage assistance.**

<b><u>Criteria:</u></b> (The criteria listed below represents a summary. Please refer to Section 7751 in the regulations for more specific information.)	<b><u>Maximum Points</u></b>
<b><u>Capability</u></b> to operate the program or develop the project by demonstrating prior experience with administration of the program activity proposed or in developing the type of homeownership development project as proposed and prior experience with loan servicing or a plan to provide loan servicing/management capabilities.	<b>400</b>
<b><u>Community need</u></b> in a geographic area of the proposed local program or project will be based on the following factors: <ul style="list-style-type: none"><li>• For an owner-occupied rehabilitation application, percentage of the population living at or below the federal poverty level, and the number and percentage of households who are overcrowded and living in substandard housing as reflected in U.S. Census data;</li><li>• For a mortgage assistance application (and a development project application): the factors used will be the percentage of low-income households overpaying for their housing, and the percentage of low-income households that are homeowners as reflected in U.S. Census data.</li></ul>	<b>150</b>

<p><b><u>Feasibility</u></b> of the proposed program activity is demonstrated by the extent to which the proposed program is responding to a community need and demonstrates a likelihood of success. For applicants proposing a homeownership development project, readiness of the project, and ability of the project to serve low- and very low-income households will be measured. Feasibility for program applications will be determined by statistical indicators in the following areas:</p> <ul style="list-style-type: none"> <li>• For an owner-occupied rehabilitation application, percentage of pre-1980 homes in the jurisdiction, and the percentage of overcrowded households;</li> <li>• For a mortgage assistance program, the ratio between the median home sales price and median household income in the jurisdiction, and the percentage of low-income homeowners.</li> </ul>	200
Contributes to <b><u>community revitalization</u></b> by operating a program/project located in a federally defined Qualified Census Tract or in a designated redevelopment area under the jurisdiction of the local Redevelopment Agency.	50
<b><u>Maximum Baseline Points</u></b>	<b><u>800</u></b>

New Policy Objectives – Mortgage Assistance Programs Only Criteria	Bonus Points Value
<p><b><u>Targeting higher density:</u></b> Applicant will use their mortgage assistance loans from this award exclusively for homebuyers who purchase homeownership units built at a density of 15 units per acre or greater.</p>	50
<p><b><u>Targeting energy efficient homeownership:</u></b> Applicant will use their mortgage assistance loans from this award exclusively for homeownership units that are Energy-Star rated.</p>	50
<p><b><u>Targeting homeownership units that meet universal design standards:</u></b> Applicants will use their mortgage assistance loans from this award exclusively for homeownership units that meet universal design standards.</p>	50

## **Application Submission:**

Application must be made on the forms provided by HCD. Applicants may submit only **one** application in response to this NOFA. Application forms must not be modified.

**HCD must receive one original complete application no later than 5:00 p.m. on Wednesday, April 18, 2007.** No facsimiles, incomplete applications, or application revisions will be accepted prior to or after the application deadline. Applications must meet all eligibility requirements upon submission. Applications having material internal inconsistencies will not be rated and ranked.

CalHome Program staff will be holding four Application Workshops in locations throughout California to assist potential applicants in submitting complete applications. All interested parties are urged to attend the most convenient workshop. All workshops are from 9:00 – 12:00 a.m. Application Workshops will be held at the following locations and dates:

- Los Angeles – 2/22/07
- Sacramento – 2/26/07
- Visalia – 3/14/07
- Oakland – 3/19/07

A workshop registration form is attached to this NOFA. Please RSVP using this form.

Applications will be available at the application workshops. Applications will also be available at HCD's website no later than February 15, 2007, or you may contact program staff at (916) 327-3646. Applications must be delivered to one of the following addresses:

### U.S. Mail

Department of Housing and  
Community Development  
CalHome Program  
Division of Financial Assistance  
P.O. Box 952054  
Sacramento, CA 94252-2054

### Private Courier

Department of Housing and  
Community Development  
CalHome Program  
Division of Financial Assistance  
1800 Third Street, Room 390-2  
Sacramento, CA 95814

It is the applicant's responsibility to ensure that the application is clear, complete and accurate. After the application deadline, CalHome staff may request clarifying information provided that such information does not affect the competitive rating of the application. No information will be solicited or accepted if this information would result in a competitive advantage to the applicant. No applicant may appeal HCD staff's evaluation of another applicant's application.

## **Information and Assistance:**

Staff is available to answer questions regarding the program or the preparation and submittal of the application. Please call the CalHome program staff at (916) 327-3646.

**CALHOME**  
**2007 APPLICATION WORKSHOP REGISTRATION**  
**GENERAL NOFA**

Mortgage Assistance \* Owner-Occupied Rehabilitation

**Fax this form to (916) 323-6016. No cover page is necessary.**

**NOTE: The session will provide training on the CalHome General NOFA.**

Attention: CalHome Program, fax # 916-323-6016, voice # 916-327-3646  
(Please RSVP at least 5 days before the workshop date)

Organization:\_\_\_\_\_

Attendee's Name:\_\_\_\_\_ Phone:\_\_\_\_\_

E-mail:\_\_\_\_\_

Please indicate which of the following workshop locations and training sessions you would like to attend:

**Los Angeles (2/22/07)**                      10:00 a.m. – 12:00 p.m.  
\_\_\_\_\_ Los Angeles Neighborhood Housing Services, 3926 Wilshire Blvd.  
Suite 200, Los Angeles, CA 90010

**Sacramento (2/26/07)**                      1:00 a.m. – 3:00 p.m.  
\_\_\_\_\_ HCD Headquarters, 1800 3<sup>rd</sup> Street, Room 183, Sacramento, CA  
95814

**Visalia (3/14/07)**                      10:00 a.m. – 12:00 p.m.  
\_\_\_\_\_ Self-Help Enterprise, 8445 W. Elwin Court, Visalia, CA 93291

**Oakland (3/19/07)**                      10:00 a.m. – 12:00 p.m.  
\_\_\_\_\_ Elihu Harris Building, 1515 Clay Street, Room 9, Oakland, CA  
94612

Please list any other program people planning to attend:

Name:\_\_\_\_\_ Phone:\_\_\_\_\_  
Email:\_\_\_\_\_

Name:\_\_\_\_\_ Phone:\_\_\_\_\_  
Email:\_\_\_\_\_